

American Airlines

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Good morning Mr. Chairman, Ranking Member DeFazio, and Members of the Subcommittee. I very much appreciate the opportunity to testify on behalf of American Airlines on the continuing challenge of reducing flight delays and expanding capacity at our nation's busiest airport, Chicago's O'Hare International.

For nearly two decades, we at American have strongly advocated building new and reconfigured runways at O'Hare in order to expand capacity, improve efficiency, and reduce flight delays. As you know, flight delays at O'Hare often have a ripple effect across the entire national air transportation system. American testified before this Subcommittee in August of 2001 on the urgent need to break the local political logjam in the state of Illinois that was preventing the O'Hare modernization program from moving forward. Thanks to the diligent efforts of community leaders and elected officials in Illinois, that logjam has been broken and the modernization program is moving forward. No one, of course, has worked harder for this goal than Congressman Bill Lipinski.

But the O'Hare modernization plan obviously cannot be put in place overnight. While the FAA is moving as quickly as possible to complete the necessary environmental review, it will be a number of years before the modernization program is able to substantially increase O'Hare's capacity and cut down on flight delays. With air traffic levels at O'Hare now back to pre-9/11 levels, we are again confronted with unacceptable delays.

Mr. Chairman, let me emphasize that American is committed to responsible scheduling. O'Hare, in particular, is critical to American's operations. It is our second largest hub and our largest gateway to Europe. We are also the second largest carrier at O'Hare, accounting for 40 percent of O'Hare's service compared to roughly 48 percent for United Airlines.

Under the Air21 legislation enacted in 2000, the Congress phased out O'Hare's slot rule. American Airlines supported that policy, believing that rational scheduling by all carriers and new air traffic management technology would accommodate a modest increase in additional flying at O'Hare until new runways could be built. In fact, we pioneered "hub de-peeking" at O'Hare in April 2002 in order to have less bunching of flights during certain periods of the day - thereby improving the efficiency and reliability of our operations and reducing delays. It is useful to compare the slot-controlled, August 2000 schedules with current schedules to see what has happened since controls were lifted.

During this period, while we at American have increased our total number of daily arrivals at O'Hare by 55, we have actually reduced our arrivals during the critical peak hours of noon through 8 p.m. by seven. In contrast, the total number of arrivals by all other airlines at O'Hare increased by 87 per day and, most distressingly, the peak hour arrivals by all other airlines shot up by 63. Hence, even with American's reduction of flights in peak hours, the airport has 56 additional daily arrivals. [See chart]

Because of our commitment to responsible scheduling, we have worked cooperatively with DOT Secretary Mineta and FAA Administrator Blakey and applaud their efforts to deal with the delay challenge at O'Hare. As a result of our discussions, in August the FAA asked us to cut 17 peak period arrivals from our O'Hare schedule by November 1. This is a 5.9 percent schedule cut on top of cuts we made last Spring. All told, American has now cut 13.2 percent of our O'Hare peak period schedule since the beginning of this year, when our discussions with FAA about O'Hare delays began.

I should emphasize that this 13 percent schedule reduction is painful not only for over 10,000 Chicago area American Airlines employees, but also for small communities that will lose a vital link to the national air transportation system. Indeed, since O'Hare is the only two-hub airport in the country, many smaller communities depend on American and/or United regional jet service to O'Hare as their link to the national system.

It is in this context that we were distressed that throughout June and July 2004, while American and United were reducing peak hour schedules at FAA's behest, carriers such as new entrant Independence Air were adding flights. This "backfilling" clearly undermines the objective of reducing delays in the peak periods that FAA was trying to achieve in the first place. In addition, most if not all of the flights added by the new carriers are to large cities such as Seattle and Washington, D.C. To make room for these new flights, it is inevitable that service to small and mid-sized communities will be reduced.

In part because of the light shed on the backfilling issue by Congressman Lipinski and others, the FAA has now reached an understanding with all carriers and recently established a process that, if truly enforceable, should greatly check backfilling. Under its authority in Section 422 of the Vision 100—Century of Aviation Reauthorization Act, FAA called a conference of all carriers just last month. As I mentioned earlier, the net result of these August discussions was that American will reduce an additional 17 arrivals and United will reduce 20 during the peak period.

For the first time, however, other airlines with fewer operations at O'Hare have been ordered to change, though not reduce, their schedules to cut delays and a process has been established to greatly limit backfilling during the peak period. Specifically, FAA's implementing order allows new entrants and those carriers already serving O'Hare with eight or fewer scheduled arrivals to add no more than one arrival from noon to 9 p.m. It sets a total arrival limit per hour covering all carriers, and limits the overall number of new flights a new entrant can add in non-peak hours. All additions will be subject to prior approval by the FAA.

We commend the FAA for the work it has done and the process it has now established. At the same time, however, long-term solutions need to focus on increasing capacity at O'Hare rather than restricting schedules. Schedule reductions limit competition, customer choice, and adversely affect small and mid-sized communities that are dependent on access to the nation's air transportation system through O'Hare. Indeed, the answer to the delay problem is not to punish smaller communities by restricting the use of smaller regional jets into O'Hare as some self-servingly suggest.

Rather, our energy and focus need be on growth and system expansion. In addition to expeditiously implementing O'Hare modernization, investments in air traffic control system improvements must be made to increase efficiency and ensure that our current airport resources are being utilized to the fullest extent possible. We will need, for example, to take full advantage of technological advances in navigation, communication and networked information sharing to truly transform our aviation system.

Airports at capacity limits today suffer from air traffic systems and procedures that have not changed significantly for decades. Improving these systems and procedures will enable the conduct of low visibility airport operations at nearly the same rates as visual flight conditions. Likewise, the precision flight capability of today's aircraft should be exploited to improve overall airspace utilization and maximize runway use.

In closing Mr. Chairman, I would be remiss if I did not highlight a national crisis that hangs over this entire discussion. As difficult as it has been for consumers at the gas pump, the impact on aviation has been nothing less than devastating. At American Airlines, the jump in prices is costing us over \$1 billion more this year than last. Put another way, every penny increase per gallon in jet fuel costs American Airlines \$33 million annually.

As an example, today it costs us over \$1,100 more per flight to operate one MD80 aircraft between Ronald Reagan Washington National Airport and O'Hare than it did last year -- simply as a result of the higher cost of fuel. Yet, due to fierce competition, the average price we charge in this market has actually gone down during the same period. This situation cannot continue much longer without major repercussions on employment, air service, and the national economy.

As you may know, over the last several years, our employees have made tremendous sacrifices to make our airline more efficient and competitive in what has been a very challenging post-9/11 operating environment. That is why it is particularly distressing that soaring fuel costs are quite literally absorbing the cost reductions borne by our employees. Ironically, the topic we are discussing today—growing flight delays—only serve to increase our fuel burn and increase our costs.

We recognize that there is no silver bullet to solve this problem. At the same time, policy makers in Washington must recognize that the impact of a prolonged period of exorbitant fuel prices will no doubt ravage the entire airline industry and completely wipe out the benefits of the assistance Congress has given the industry to mollify the impacts of 9/11.

I hate to end my testimony on such a grim note but that truly is the situation the airline industry is confronted with today. As we deal with this crisis, please know that American will continue to do its part in working cooperatively with FAA to bring the problem of flight delays at O'Hare under control. We all look forward to the day when O'Hare's modernization program is complete.

Thank you again for giving me the opportunity to testify today. I would be happy to answer any questions that the Chairman and Members of the Subcommittee might have.